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Observance of the International Year of Microcredit, 2005

Report of the Secretary-General

Summary

The present report is submitted in response to General Assembly resolution 59/246 of 22 December 2004, in which the Assembly requested the Secretary-General to prepare a report on the observance of the International Year of Microcredit, 2005. The present report provides information on the commemorative activities and initiatives undertaken at all levels to achieve the objectives of the Year. It gives an overview of the wide range of national efforts, which played a key role in the Year's success. The report highlights major activities and events launched at the international level under the auspices of the Year in partnership with diverse actors. It concludes that the observance of the Year contributed to increasing global awareness about microcredit and microfinance as significant instruments in the fight against poverty and as an important part of collective efforts towards achieving the Millennium Development Goals.

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I. Introduction

1. The General Assembly, in its resolution 53/197 of 15 December 1998, proclaimed 2005 as the International Year of Microcredit to give impetus to microcredit programmes throughout the world. The Assembly invited Governments, the United Nations system, relevant non-governmental organizations (NGOs), the private sector and other actors to highlight and recognize the role of microcredit in the eradication of poverty, its contribution to social development and its impact on the lives of people living in poverty. In resolution 58/221 of 23 December 2003, the Assembly invited the Department of Economic and Social Affairs of the Secretariat and the United Nations Capital Development Fund (UNCDF) to jointly coordinate the activities of the United Nations system for the preparation and the observance of the Year. It also invited Member States, relevant organizations of the United Nations system, NGOs, the private sector and civil society to collaborate in the observance of the Year. In resolution 59/246 of 22 December 2004, the Assembly decided to devote one plenary meeting of the sixty-first session to the consideration of the outcome and follow-up to the Year, and requested the Secretary-General to prepare a report on the observance of the Year.

2. The present report takes stock of the activities and initiatives carried out at the national, regional and international levels in observance of the Year, taking into account replies submitted by Member States[1] in response to the note verbale of the Secretary-General dated 21 February 2006, as well as information provided to the Department of Economic and Social Affairs and UNCDF by the national committees for the Year. Responses received from relevant organizations of the United Nations system are also included in the present report.[2] In addition, UNCDF has issued a separate, more detailed final report on the Year for wider circulation.[3]

3. As outlined in the programme of action,[4] the main goals of the Year were to assess and promote the contributions of microcredit and microfinance towards achieving the Millennium Development Goals; increase public awareness and understanding of microcredit and microfinance; promote inclusive financial systems, especially for poor people; support sustainable access; and encourage innovation and partnership. The main message of the Year was the urgent need to build inclusive financial sectors to help poor people around the world to gain access to affordable financial services. The focus of the Year was on microfinance which, as a broader concept, includes microcredit as well as other financial services such as savings, insurance, and money transfers.

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[1] Algeria, Bangladesh, Belarus, Brunei Darussalam, Burkina Faso, Ecuador, El Salvador, Ethiopia, France, Georgia, Israel, Kuwait, Latvia, Lebanon, Libyan Arab Jamahiriya, Mauritius, Monaco, Mongolia, Mexico, Netherlands, Oman, Pakistan, Panama, Poland, South Africa, Sudan, Thailand, Trinidad and Tobago, Ukraine, United Kingdom of Great Britain and Northern Ireland and United States of America.

[2] Economic Commission for Africa, Economic and Social Commission for Asia and the Pacific, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, International Monetary Fund, United Nations Children's Fund, United Nations Conference on Trade and Development, United Nations Educational, Scientific and Cultural Organization, World Bank and World Food Programme.

[3] United Nations (2006), *Building Inclusive Financial Sectors for Development*, United Nations Sales No. 06.II.A.3.

[4] See A/58/179, sect. II.

II. Institutional arrangements

4. The Coordinating Committee established by the Department of Economic and Social Affairs and UNCDF was responsible for undertaking communication activities to promote the theme and objectives of the Year, and for encouraging and providing support to the activities of the national committees as well as regional and international partners. It focused its activities in four major areas: communication initiatives to build broad public awareness; partner engagement; special events; and substantive outcomes for the Year. The Department of Public Information of the Secretariat provided valuable support for the production of promotional materials and the dissemination of information about the Year worldwide and the organization of briefings and special events. Financial support for the Year was provided by several core sponsors, including Citigroup, ING Group, and Visa International. Additional support came from the United Nations Foundation, UNCDF, and the United Nations Development Programme (UNDP).

5. The Coordinating Committee invited a small group of high-level individuals to serve as Patrons of the Year in one of three capacities: Emissaries, Spokespersons or Advisers. The Emissaries, comprised of dignitaries committed to the goals of the Year, helped to raise awareness about the importance of microfinance in the eradication of poverty and engaged broad constituencies in the objectives of the Year. They attended special events and publicly supported the Year through a variety of activities such as speaking engagements and participation in public service announcements. The Spokespersons included prominent personalities in the arts and entertainment. They endorsed the Year's goals as part of their public appearances at various events. The Advisers Group was composed of key figures from Government, the microfinance industry, banking and the private sector. The Advisers were committed to promoting greater understanding and awareness of the potential of microfinance; securing the commitment of governments, donors, non-governmental institutions, and the private sector; and contributing to the goal to enable more poor people to gain access to quality financial services. They made an important contribution to the success of the Year by using their expertise, experience and public visibility to promote the goals of the Year among decision makers, and by facilitating the dissemination of key messages as part of the Year's communication campaign.

6. In addition, leaders of a number of microfinance institutions and international, regional and national networks of microfinance institutions were invited by the Department of Economic and Social Affairs to form an informal group of practitioners known as the "Friends of the Year" to assist the United Nations in promoting the objectives of the International Year of Microcredit, 2005, in particular to increase awareness about the need to build inclusive financial sectors to meet the needs and demands of poor people.

III. Activities at the national level

A. National committees

7. The national committees played a key role in promoting dialogue on best practices among stakeholders and provided vital support in identifying and

addressing the barriers that many poor people face in accessing financial services. More than 60 countries established national committees and focal points, and activities to advance microfinance programmes were undertaken in over 100 countries.

8. To promote the objectives of the Year, the national committees, along with Governments and other actors, undertook initiatives to address three main goals: filling information gaps; raising public awareness; and building national commitment to develop microfinance programmes and increase accessibility for people living in poverty. Many countries were able to address information gaps by conducting research, assessing current practices and developing recommendations for national strategies to implement necessary changes. To raise public awareness, round tables, conferences and other public events were organized. In addition, many new and innovative approaches were devised, such as through mass media campaigns, the creation of websites, theatre and trade shows. Efforts of the national committees to build commitment to create an environment conducive to microfinance institutions and microentrepreneurs included building networks, mobilizing resources, holding workshops and addressing barriers in a country's legal framework.

B. Africa

Filling information gaps

9. The National Committee of Benin conducted a study to measure the impact of microfinance on poverty reduction. The results were discussed at a colloquium and the findings of the study will be published in 2006. In Mauritius, UNDP and UNCDF worked with stakeholders to conduct a review of the viability, creditworthiness and sustainability of microfinance providers. In Burundi, a census of microfinance institutions was undertaken and the first national databank on microfinance activities was established.

10. The South African Microfinance Apex Fund was established in South Africa to address issues of access to affordable financial services. In addition to its other key initiatives, the Fund is piloting a South African microfinance model that will provide credit for microenterprise and self-employment, credit for poverty alleviation and capacity-building as a means of ensuring sustainability.

Raising public awareness

11. Countries in the region employed a number of communication tools to raise public awareness. Government representatives from the highest levels were frequently involved in the promotion of the Year and many national figures volunteered as spokespersons to help draw attention to the events. The National Committees of the Comoros, Madagascar and Malawi launched media campaigns by publishing articles in local newspapers and widely disseminating pamphlets and publications on microcredit. The National Committee of Nigeria hired two communications firms to execute a media plan for the Year, which reached an estimated 80 million Nigerians. In addition to using television and radio to raise public awareness, a newsletter and a website on microcredit were also created for that purpose.

12. In Botswana, the Botswana International Trade Fair was held to celebrate the Year and to educate the public. Success stories of microfinance clients were documented and distributed at the Fair. The National Committees in Burundi, Ghana, Guinea-Bissau and Côte d'Ivoire reached out to the public through radio talk shows, debates, dramas and documentaries. Those Committees also involved universities in order that students could learn about microcredit and microfinance. In Angola, Burkina Faso, the Central African Republic and Kenya, official ceremonies to launch the Year were held and presided by high-level officials. Paraphernalia displaying the microfinance logo were also distributed to the public to promote the Year. In South Africa, the Year was officially launched at the Johannesburg Securities Exchange.

13. Numerous conferences and round tables were held throughout the region, often focusing on issues such as awareness-raising and sharing of best practices, and were well attended by many countries. The Association of Ethiopian Microfinance Institutions partnered with various organizations to hold the first World Conference on Agricultural Finance, in Ethiopia. Other countries such as Burkina Faso, Burundi, the Comoros, the Libyan Arab Jamahiriya, Mauritania, South Africa, Togo and Uganda participated in various conferences and seminars to discuss the role of microfinance in poverty reduction.

14. Burkina Faso organized an educational seminar on microfinance for students and courses on microfinance were offered at the University of Ouagadougou. In Kenya, information was widely disseminated in school-based programmes and throughout the country with the Coastal Province Awareness Campaign in Mombasa, and the Embu Microfinance Campaign in the Eastern province. In Algeria, an agreement was signed between the Ministry of Professional Training and Education and the Ministry of Labour and National Solidarity to promote and spread awareness of microcredit in professional training centres. Senegal launched its first microfinance network in the country, Crédit Mutuel du Sénégal, and celebrated the tenth anniversary of PANMECAS (Programme d'Appui aux Mutuelles d' Épargne et de Crédit au Sénégal), one of the country's biggest microfinance institutions.

Building commitment

15. Many countries developed partnerships to improve institutional capacity for the delivery of financial services to the poor. In Morocco, professional networks were organized to support microfinance at the national level. The National Committee formed a partnership between the Government and the private sector, and supported a law exempting entrepreneurs from a value added tax for a five-year period following the establishment of a microenterprise. The Government of the Sudan worked to broaden financial services through active partnerships with local community organizations and specialized voluntary organizations. In the Niger, the National Committee held a partnership workshop with agricultural organizations and microfinance institutions, and the National Council of Microfinance was formed to implement the national strategy for microfinance during the year.

16. The Government of Burkina Faso created and promoted technical inter-institutional centres of microfinance organizations for the purpose of providing technical services for the professional development of microfinance institutions. In South Africa, the Government set aside up to US$ 50 million for three years for institutional capacity-building and funding for pro-poor microfinance institutions

and outreach. The Libyan Government established a national employment fund to link a lending policy with job opportunities, and reserved an amount of 2 billion Libyan dinars for microlending over a period of five years. A conference on small producers was organized with the International Labour Organization (ILO). The National Microcredit Support Fund was created in Algeria and enabled the financing of over 3,300 activities, involving buying of raw materials which generated almost 5,000 jobs. The National Committee of Togo worked with the Government to develop a microfinance strategy through 2008, and the Reserve Bank of Zimbabwe formed a National Task Force on Microfinance and expects to have a national policy drafted by 2006.

C. Asia and the Pacific

Filling information gaps

17. Countries in Asia attempted to fill information gaps through research and training. Nepal undertook research on issues such as microfinance in conflict situations, on improving access of microfinance institutions to remote areas and on the sustainability of informal savings and credit groups. Training and other capacity-building activities were targeted at microfinance institutions, frequently using the UNCDF microfinance distance learning course. Uzbekistan conducted a survey of microfinance institutions and developed a draft decree based on the results of the survey. Bangladesh published a book entitled *State of Microcredit*.

18. In the Philippines, numerous training sessions on microfinance were organized and many seminars were held to encourage the sharing of experience and new technologies among practitioners. Oman held a workshop with ILO on best practices in microfinance and organized meetings for job-seekers to guide and motivate them to make use of microfinance. Azerbaijan's National Committee organized marketing and training services and offered advice and legal support to stimulate microentrepreneurship development. Mongolia's National Committee developed a training toolkit, created a database of microfinance institutions and established a local microfinance institution rating system as well as a Microfinance Competence Centre.

Raising public awareness

19. In Azerbaijan, Bangladesh, Bhutan, Indonesia, Mongolia, Nepal and the Philippines, ceremonies or events were organized to launch the Year. Those events were typically attended by the Head of State or Government or other senior Government officials. Closing ceremonies were also held in Australia, Azerbaijan, Bangladesh and the Philippines.

20. A large number of seminars and conferences were organized throughout the Year. The Indonesian National Committee held a two-day conference on "Financial Services to Rebuild Livelihoods in Aceh". An international conference on scaling up financial services for the poor in Pakistan and Afghanistan was among the various conferences and seminars organized in Pakistan. Thailand hosted a high-level international conference on "Empowering the Grassroots Economy: Microfinance for Growth and Happiness". In Nepal, a half-day interaction Programme on the Linkages between Microfinance and the Millennium Development Goals was

organized. The Bhutan Development Finance Corporation organized a workshop and the National Committee held a series of presentations at forums on microfinance.

21. One of the events organized in China was a regional workshop on microfinance and women's development, which discussed the possibility of an Asia-wide network on microfinance. The National Committee of Mongolia organized a series of meetings, round tables and conferences involving different stakeholders, including a national summit on microcredit and entrepreneurship. One of these meetings led to the formation of a network of academics and researchers in the area of microfinance. In Israel, several workshops on microcredit were held for professionals from 28 different countries. Turkey's National Committee held monthly thematic round tables, and Uzbekistan organized a round table on opportunities for the microfinance sector in the country.

22. In Azerbaijan, Bangladesh, Nepal and the Philippines, special fairs or exhibitions were organized to promote the products of microcredit borrowers. In Mongolia, a bank opened a "made by an entrepreneur" shop in the capital city. Azerbaijan also organized credit fairs to support low-income people who previously had no access to financial services, and in Indonesia, a national bazaar designed to assist micro, small and medium enterprises in accessing financial services from commercial banks was held in several cities.

23. Most countries actively used the media to raise awareness about the Year. Special supplements, reports, articles and features appeared in national newspapers in Bangladesh, Nepal, the Philippines and Uzbekistan. Talk shows and success stories of microfinance clients were broadcast on the radio and national television in Bangladesh, Mongolia and Nepal. In Mongolia, a series of radio programmes on how to start a business was broadcast, and documentary films on microfinance were aired in Bhutan, Nepal and Pakistan. Websites on the Year were created in Australia, Azerbaijan, Mongolia, the Philippines and Uzbekistan; and Turkey created a virtual microfinance information centre.

24. Several countries developed innovative mechanisms to raise awareness. Nepal presented national awards to successful microentrepreneurs and writers who published articles and newspapers with the best coverage on microfinance. Special awards, often in addition to the Global Microentrepreneurship Awards, were also organized in Bangladesh, Mongolia and Pakistan. Essay competitions on microfinance were held in Bangladesh, Indonesia and Pakistan. Bangladesh also printed commemorative stamps, distributed calendars and diaries with the Year's slogan and organized a rally as well as theatrical performances. In Australia, a pre-stamped envelope and a bookmark with the Year logo were created, and several events were organized to improve awareness among youth and university students. China's National Committee produced several publications, including a booklet of personal stories from microfinance clients. Mongolia's National Committee planned a travelling caravan to promote microfinance in rural areas. The Philippines issued a 20-peso banknote with the Year's logo and used a jingle to promote the Year.

Building commitment

25. Several countries reviewed the regulatory framework covering microfinance institutions to ensure more transparency, accountability and growth of the sector. Bangladesh developed operational guidelines for monitoring, reporting and measuring performance as well as auditing and governance standards. An

independent regulatory agency will be set up when the Parliament enacts the necessary legislation. In the Philippines, a uniform set of performance standards for all microfinance institutions was developed and the Philippine Declaration on Microfinance was adopted as an action plan for the future growth of microfinance in the country. In Uzbekistan, the President signed two decrees promoting microfinance sector development. The central bank in Nepal made a commitment to establish a second-tier institution for effective supervision, monitoring and promotion of microfinance institutions. The country's National Committee is reviewing legislation to allow microfinance institutions to grow and provide sustainable microfinance services.

26. The National Committee in Azerbaijan analysed problems in microfinance and related legislation. In Mongolia, the National Committee worked on laws that impact microfinance, including those on tax and finance as well as on selling and trading forms of mortgage. The National Committee of the Islamic Republic of Iran promoted incorporation of microcredit into national development programmes. Turkey's National Committee worked with the Government to help establish legal, fiscal, and regulatory systems conducive for microfinance as well as with the private sector to create commercial opportunities which strengthen economies through investment in local communities. In Australia, members of the National Committee had been involved in the preparation of recommendations on microfinance for a white paper on the future of Australia's overseas aid programme.

27. An apex body was established in Bangladesh to provide both financial and technical assistance to microfinance institutions. The Central Bank of Nepal established a National Microfinance Fund and took steps to convert an existing fund into a wholesale lending institution in order to improve access to finance by microfinance institutions. Mongolia assisted local microfinance institutions in becoming part of national and international networks and established an Investment and Development Fund for enterprises that had difficulties in accessing funds. Measures to promote microcredit had also been undertaken within the framework of the "Enterprise Mongolia" project, developed by the Ministry of Industry and Trade in cooperation with UNDP.

28. Bhutan launched the first savings programme for people in rural areas with limited or non-existing access to banking services. A number of programmes and funds to support poverty reduction and entrepreneurship have been initiated in Thailand. As of 2005, some 304 microenterprises in Brunei Darussalam had benefited from the country's Microcredit Financing Scheme. The State of Kuwait demonstrated its commitment to small businesses through the establishment of the National Investment Fund and the Kuwaiti Company for the Development of Small Ventures. The Government of Lebanon has included microcredit in its economic policies as a tool for assisting underprivileged groups.

D. Europe

Filling information gaps

29. The International Association of Social and Credit Unions acted as a focal point for promoting the activities in observation of the Year in Spain. To fill information gaps, the focal point organized a national microfinance meeting to share experiences and to identify challenges and solutions in addition to planning a

European convention on microcredit. In Spain and Moldova, detailed microfinance reference manuals were published for professionals involved in microfinance. The National Committee of Bulgaria held a number of round tables and conferences to identify obstacles to the effective functioning of the microfinance sector in the country. An outcome document was published that summarized the lessons learned, and provided recommendations for the future regulation and functioning of the microfinance sector.

30. In France, Germany, Moldova, Poland, and the United Kingdom of Great Britain and Northern Ireland, the National Committees and Governments organized a number of conferences and round tables to explore ways to make microfinance more accessible and to maximize the potential benefits for clients. Bosnia and Herzegovina held round tables to assess the need for new laws on microlending, while Poland undertook a survey of the accessibility of financial services to poor people and microenterprises.

Raising public awareness

31. The National Committee of Luxembourg and the Netherlands Platform for Microfinance launched a number of public awareness initiatives that emphasized raising awareness of microcredit in the financial sector, particularly among commercial banks. Those events were well attended by Government representatives, the international finance institutions, professionals in the financial sector, and members of civil society. The National Committee of France, with the cooperation of the French Government, civil society, Kreditanstalt für Wiederaufbau of Germany and the Department for International Development of the United Kingdom, organized an international conference in Paris on increasing access to microcredit. More than 600 individuals, representing Governments, central banks, microfinance institutions, civil society, professionals and students, were in attendance.

32. In Belgium, Bulgaria, France, Germany, Italy, Luxembourg and the Netherlands, activities such as the production of articles and publications on microfinance and the development of websites on microfinance were used to promote public outreach. In Germany, documentaries on microfinance were produced for broadcast on television. In Italy, Moldova and Poland, public awareness campaigns documented and celebrated the achievements of microentrepreneurs, and fairs and exhibitions supporting small business were also held in support of the Year. In France, a Week of Microcredit was organized by the National Committee and, during that week, forums were organized with public information booths to assist potential entrepreneurs. Those events were shown on national television, mentioned on radio spots, and displayed on posters.

33. To highlight the growing role of commercial banks in microfinance events were organized at the national stock exchanges of Italy, the Netherland and Poland to celebrate the Year. Several female entrepreneurs from Cambodia were invited to participate in the event held in the Amsterdam Stock Exchange. In Rome, the event at the national stock exchange was organized by the International Fund for Agricultural Development (IFAD) in partnership with the National Committee of Italy.

Building commitment

34. The Principality of Monaco, the National Committee of Belgium and the United Kingdom, through the Department for International Development, worked to promote access to financial services for people suffering from financial exclusion in developing countries. Conferences and events with a focus on developing partnerships and expanding access to microfinance were organized in support of the Year. The National Committees of Italy and Latvia demonstrated their commitment to promoting microfinance by engaging the financial sector and working to make financial services more inclusive. A series of round-table discussions was organized in Italy to familiarize banking institutions with microfinance and discuss the microfinance sector in Italian society and the region. The Mortgage and Land Bank of Latvia established a new unit, ALTUM, for the administration of microcredit support programmes.

35. The National Committee of Hungary and the Government of Ukraine placed special emphasis on the development of small enterprises in their plans of action to celebrate the Year. Strategies were developed to improve the legal framework for microfinance institutions, and plans were launched to fund, train and provide technical assistance to develop entrepreneurship. The focal point for Bosnia and Herzegovina organized several events engaging stakeholders on all levels to assess the legislative environment affecting microfinance. A round table on the "Establishment of Adequate Legal Framework for the Functioning of Microfinance Sector in Bosnia and Herzegovina" was held in Sarajevo, in addition to other meetings organized with local ministries to appraise the legal framework for microfinance. The Government of Georgia took steps to develop the legislative basis for the microfinance sector by establishing definitions for microcredit and microfinance and preparing a draft law on microfinance organizations. Belarus also undertook measures aimed at further improving the legislation pertaining to microfinance and for enhancing access to credit and information. The provision of credit to small and medium enterprises in Belarus is implemented jointly with the European Bank for Reconstruction and Development, and in 2005 a new, faster method was introduced to approve loans of less than $3,000.

E. Latin America and the Caribbean

Filling information gaps

36. Countries in the region attempted to fill information gaps by conducting research and compiling databases on microfinance. The National Committee of Argentina conducted research on past and current trends of the microfinance sector and produced indicators of its socio-economic impact. Chile investigated access to microfinance in the country and the infrastructural obstacles preventing it. It also developed recommendations to improve microfinance. Jamaica held a series of four regional consultations on information technology, tourism, agriculture and manufacturing as well as other business opportunities for microfinance and microentrepreneurial development. Bolivia published a book on recent developments in the country's microfinance sector, which discussed financing of risk capital, innovative juridical tools and the development of microlending and microinsurance.

37. Panama created databases of various entities providing credit, including the banking sector, NGOs, and cooperatives. A database prepared in Bolivia contains information on the financial status of microfinance providers in the country. Colombia's National Committee created an inventory of studies that had been conducted between 2003 and 2005, including four publications and more than 20 research studies, to celebrate the Year.

Raising public awareness

38. Most countries in the region organized forums or seminars to commemorate the Year and raise awareness about microfinance. In October 2005, Bolivia hosted the VIII Inter-American Microenterprise Forum on the theme entitled "Expanding the Microfinance Frontier in Latin America". The Inter-American Development Bank, which organized the event, reviewed the achievements of the Year. El Salvador organized two forums: one on the productive use of remittances and a second to identify successful methodologies to facilitate microfinance, as well as two fairs intended to create links between microfinance institutions and microentrepreneurs in poor regions. Several conferences and seminars took place in different parts of Ecuador to discuss microfinance as a mechanism to create comprehensive and sustainable financial sectors and to identify strategies to integrate innovative microfinance products. Argentina's National Committee held two workshops on the sustainability and regulatory framework of microfinance in the country. In Jamaica, the National Committee issued a concept paper and organized a panel discussion on microfinance as a tool for disaster reduction as part of the celebrations for the International Day for Disaster Reduction. Colombia's National Committee organized various large regional events and seminars as well as a series of workshops to provide recommendations on improving national policies directed at supporting microenterprises. In Mexico, the high-level Forum on Microfinance and Development and the fourth National Meeting on Microfinance, which focused on the quality of credit were both attended by the country's President.

39. Chile, Colombia, Panama and Trinidad and Tobago promoted the Year in their national media or issued press releases. Argentina, El Salvador and Nicaragua prepared information bulletins and distributed them to institutions, trade unions and entrepreneurs. Colombia and Panama created websites to promote microfinance and the Year. Others, such as Argentina, produced posters. Colombia's National Committee developed a television programme and is establishing a microfinance post-graduate programme together with a Colombian university. Nicaragua printed stamps commemorating the Year and its National Committee hosted a number of awards ceremonies including the Nicaraguan Journalist Award on Microfinance Research and the Microfinance Investigation Award, directed at university students.

Building commitment

40. Ecuador and Guatemala are building commitment towards the microfinance sector by reviewing the regulatory and legal framework for microfinance services. In Jamaica, consultations were held between the Minister of Finance and Planning, the Patron of the Year, and members of the financial sector to discuss the policy and regulatory framework and issues surrounding the building of an inclusive financial system.

41. El Salvador developed the programme "Your Credit", which aims to support those living in the poorest areas of the country by providing a total of $8.6 million in microloans. In addition, a permanent committee for microfinance sector development was established. In Trinidad and Tobago, the Cabinet agreed to the provision of $1.15 million within the Public Sector Investment Programme to celebrate the Year. Its National Committee is developing a school-based programme to sensitize secondary school students to microcredit and entrepreneurship. The Mexican National Committee facilitated the launch of 10 microfinance institutions, while the National Financial Corporation of Ecuador is providing technical assistance and capacity-building to financial entities and cooperatives.

F. North America

Filling information gaps

42. The National Committee of the United States of America sponsored a number of events, including a learning conference to share knowledge of best practices around the world in the microcredit field. Another Microfinance Conference was held in Washington, D.C. for professionals and students from the public and private sector. The Canadian National Committee also organized an international panel conference in Ottawa.

Raising public awareness

43. In Canada, many activities were undertaken to celebrate the Year. High-profile events were held throughout the country to commemorate National Microfinance Day on 20 October 2005. A microcredit toolkit launch was held in Vancouver, and an Oikocredit Sunday in Canadian churches was promoted nationwide. Conferences were held in colleges and universities to raise awareness and create a dialogue between youth, academics, microentrepreneurs, NGOs and the private sector about microfinance. The National Committee of the United States supported numerous seminars, exchanges and awareness-building events on microfinance with diverse groups of stakeholders around the world.

Building commitment

44. The United States National Committee members provided support for partnerships among Governments, the private sector and NGOs to increase economic opportunities for the poor. The United States Agency for International Development (USAID) assisted national Governments in developing the tools necessary to improve the policy environment for microfinance. The National Committee, along with representatives from the State Department, USAID, and the Treasury Department, worked together to support a new microfinance initiative of the Group of Eight to strengthen the policy environment and increase opportunities in the broader Middle East and North Africa region. The Canadian Social Investment Organization worked to build bridges between Canadian and other international organizations to enrich the dialogue on microfinance.

IV. Activities at the international level

A. Global communication and promotional activities

45. Working closely with the Department of Public Information, the Coordinating Committee created a memorable logo and the tagline "Building inclusive financial sectors", which were used to promote the Year. The official website[5] that was established in collaboration with the private sector and other partners provided extensive information on all aspects of the Year, resources and a variety of interactive tools. The website logged nearly 25,000 visitors on average per month from more than 144 countries.

46. A highlight of the Year's media outreach efforts was the publication of a survey on microfinance in the November 2005 issue of *The Economist*. In addition, an independent documentary film entitled *Microfinance: In Their Own Voices* presented the personal stories of microfinance clients and the positive impact that very small loans can have on poor people's lives.

47. "Microfinance Matters", a monthly web publication from UNCDF to communicate with member States, the National Committees, United Nations system agencies and microfinance partners was launched in January 2004 and had nearly 8,000 direct subscribers by the end of 2005. By inviting reader opinions, the newsletter served as a platform for discussion and debate and included interviews with key figures in the field of microfinance, inputs from regional experts, profiles of microfinance clients and guest editorials from influential international figures.

48. Another international initiative of the Year was the Microentrepreneur Marketplace to convey the importance of microentrepreneurs to the public. A collection of 25 products from Bangladesh, Colombia, the former Yugoslav Republic of Macedonia and Rwanda, carrying the logo of the Year, was sold through an "online boutique".[6]

B. The "Blue Book" project

49. As a major activity of the Year, the United Nations brought together a large number of global decision makers and financial sector leaders to address the reasons why most of the world's poor people are denied access to basic financial services. This global consultative process involved Governments, international organizations, financial institutions, the private sector, and civil society from more than 100 countries. Regional consultations were held in Asia, the Middle East, Africa and Latin America, with the help and support of the African Development Bank, the African Microfinance Network, the Asian Development Bank and many other development institutions and microfinance institutions. A web-based questionnaire and an e-conference were also developed to invite inputs from participants who could not participate in those regional consultations. In May 2005, a Global Meeting was organized with ILO in Geneva, culminating the consultation process.

50. The result of that year-long initiative was the report *Building Inclusive Financial Sectors for Development*,[3] also known as the "Blue Book". It sets forth

[5] www.yearofmicrocredit.org.

[6] www.shopmicro.org.

the results of the global consultations and addresses the challenges to building inclusive financial sectors. It provides a compelling analysis of why the vast majority of people do not yet have access to sound financial services. The report also captures the emerging vision of an inclusive financial sector and suggests a variety of policy tools that national Governments can use to extend the reach of the financial sector in their own national contexts. It emphasizes the importance of establishing a national vision of inclusive finance and that cooperation is required of all relevant stakeholders. Further, it explores important policy, regulatory, and supervisory issues that all policymakers will need to consider.

51. The "Blue Book" provides an invaluable tool and guide for policymakers in developing countries who seek to build inclusive financial sectors. It is also a reference point for Governments to collectively discuss strategies, share best practices and improve processes and is intended to be a companion to national dialogues among relevant stakeholders. Inclusive financial sectors would provide poor people and micro and small enterprises with access to a broad range of financial services. The result of such improved access is expected to be enhanced economic growth and development, the reduction of poverty, and progress towards achieving the Millennium Development Goals.

52. UNCDF and UNDP are moving forward to use the approach outlined in the "Blue Book" to begin building inclusive financial sectors in Africa. The Food and Agriculture Organization of the United Nations (FAO) also plans to promote increased access, gender equity and efficiency of a wide range of financial products and services to the poor in rural areas.

C. The Data project

53. Under the auspices of the Year, the United Nations, the World Bank and the International Monetary Fund (IMF) in partnership with the Department for International Development of the United Kingdom and South Africa's FinMark Trust initiated a working group to address current data gaps and identify access indicators for gathering and evaluating data from existing surveys as well as defining core concepts for future collection efforts.

54. A study was undertaken to test the indicators and survey methodology for accuracy as well as to begin gathering information on access. That survey measured household and institutional access to financial services across 99 countries based on information provided by bank regulatory authorities and compared it to firm and household survey data from the same countries. The results offered a first quantified glimpse into the financial sectors of developing countries and presented information about the correlation between banking sector penetration and levels of firm and household use of, and access to, financial services. The study found that the level of outreach by the financial sector correlated strongly with the level of financial, institutional and infrastructure development across countries, and concluded that greater levels of outreach were tied to higher levels in standard economic development indicators.

55. The World Bank, the Department for International Development and FinMark are currently working towards common approaches in survey work for financial access to the poor, particularly in Africa. Building on that initiative, efforts are under way to carry out a series of survey activities measuring access to financial

services in several countries in West Africa. A larger and more formal effort on data collection and analysis is under consideration.

D. Global Microentrepreneurship Awards

56. The Global Microentrepreneurship Awards was established in 2004 by university students in collaboration with microfinance organizations, the private sector, NGOs and United Nations system agencies. The main goal of the Awards was to raise awareness about microfinance by highlighting the talents and contributions of microentrepreneurs, particularly among those who could benefit from access to finance. Almost 3,700 nominations of microentrepreneurs from 425 microfinance institutions were received, and the Awards were extensively covered in the world media. The selection criteria for the Awards included innovation, social impact of the microentrepreneur, quality of life improvement, creation of new employment opportunities, and use of technology. Nine microentrepreneurs from Afghanistan, Bangladesh, China, India, Liberia, Malawi, Peru, Sierra Leone and South Africa received Awards at a special event in New York.

E. International forums

57. The Year was officially launched at United Nations Headquarters on 18 November 2004, with an opening ceremony, statements from microfinance recipients and high-level round tables. Stock exchanges in 15 countries conducted ceremonies to signal the importance of microfinance, both as an instrument to reduce poverty on a sustainable basis and as an investment opportunity for the financial sector. The closing event of the Year, the International Forum to Build Inclusive Financial Sectors, was held from 7 to 9 November 2005, and brought together more than 700 representatives from 90 countries. The three-day event included nine panels that generated debate on diverse topics such as the potential role of microfinance in post-disaster countries, the role of the private sector, the impact of technology on microfinance, the commercialization of microfinance and Africa's unique microfinance sector. Through these panels involving multinational and domestic financial institutions, participants deliberated on concrete steps to increase access to financial services for people whose demands are currently unmet.

58. The Forum concluded with a seminar on regulation and supervision, which was hosted by the Federal Reserve Bank of New York and co-sponsored by the New York State Banking Department and UNCDF. Discussions focused on how to balance supervision and regulation with innovation and flexibility in order to promote the growth of microfinance.

F. United Nations system

59. Several United Nations funds and programmes, regional commissions and specialized agencies were actively involved in the observation of the Year, and undertook a variety of activities including the introduction of microfinance into project activities, the organization of workshops and conferences, and the preparation of reports and papers. FAO found that promoting micro- and rural finance in its project development led to better understanding of issues and the

initiation of other similar activities. It also supported activities to design effective disaster-related microfinance strategies with special emphasis on the rehabilitation of fisheries and aquaculture in tsunami-affected countries. The World Food Programme (WFP) reported that some of its projects and programmes include an element of microcredit undertaken in partnership with Governments, other United Nations system agencies and civil society organizations.

60. UNDP and the Economic Commission for Africa (ECA) African Centre for Gender and Development initiated and supported the Enterprise Development Facility in East and West Africa that assists women entrepreneurs to identify microcredit opportunities, build partnerships with other associations and share business expertise. In partnership with the Consultative Group to Assist the Poor (CGAP), IFAD funded and promoted the Rural Pro-Poor Innovation Challenge, a facility that funds microfinance institutions with innovative approaches to providing financial services in rural areas.

61. A number of United Nations system agencies organized workshops and meetings during the Year. FAO organized three major regional workshops in the Middle East and North Africa, Africa and Asia that provided opportunities to share innovations and experiences and to form partnerships between rural financial institutions, agricultural banks and microfinance organizations. IFAD hosted a seminar in Washington, D.C., to discuss non-profit and for-profit partnerships in microfinance. The ECA Office for North Africa, in collaboration with the United Nations Industrial Development Organization (UNIDO), the United Nations Population Fund (UNFPA) and UNDP country offices, organized a workshop on "Women: Source of Wealth and Job Opportunities" in Morocco. The meeting identified traditional knowledge, social services and information and communication technologies as key areas where women's potential and capacities should be strengthened by microfinance institutions. The Economic and Social Commission for Asia and the Pacific (ESCAP) and the Department of Economic and Social Affairs organized a round table on poverty and microfinance in Bangkok which examined the need to build inclusive financial sectors for poverty eradication. The World Bank, through CGAP, co-organized various high-level strategic conferences in Europe and South Asia.

62. Many organizations conducted research and prepared specific reports on microfinance or integrated the topic into their recurrent publications. CGAP undertook a number of research projects on critical issues affecting financial services for the poor, such as the impact of interest rate ceilings, the role of foreign investment, the supply and demand of funds, the poverty level of savers, and competition and efficiency. CGAP continues to disseminate new findings, data and lessons learned from these research initiatives. IFAD initiated field-based research on best practices in financial service associations in Africa and effective performance monitoring methodologies among self-help groups in India. Its research initiative on microfinance and natural resource management focuses on interactions between the promotion of financial services and the sustainable management of natural resources. IFAD developed a series of seven rural finance publications for both internal and external stakeholders. Those publications address critical issues in contemporary development finance, including the effective governance of institutions and the specific considerations of agricultural finance, as well as topics such as remittances and social performance assessments.

63. FAO studied and documented the emerging trends and innovations of linkages between the formal financial sector and rural and microfinance organizations. It also produced publications on "Microfinance and forest-based, small-scale enterprises", "Insurance Innovations", and "Microfinance, Gender and HIV/AIDS" as well as a number of policy briefs on microfinance in relation to fishery households, crop insurance, term finance and policy design. FAO also developed a set of training modules on financial services for rural microentrepreneurs which was used for training and turned into online resources for the wider public. IMF considered its role in deepening the financial sector and extending its reach through microfinance, and produced two papers on the subject in its working paper series. UNIDO used the Year to share new uses of microfinance schemes and published a working paper exploring synergies between its Cluster Development Programme and microfinance.[7]

64. ESCAP issued a paper on building inclusive financial sectors,[8] and highlighted the opportunities for and challenges of using microfinance as a tool for poverty reduction in the *Economic and Social Survey of Asia and the Pacific 2005*.[9] The ECA flagship publication, the Economic Report on Africa 2005: *Meeting the Challenges of Unemployment and Poverty in Africa*,[10] addressed the issue of preparing the financial sector for small-scale lending. It recommends the establishment of credit registries to reduce the problem of asymmetric information and thus facilitate the access of small and medium enterprises to credit. The *Information Economy Report 2005* of the United Nations Conference on Trade and Development (UNCTAD)[11] highlights the importance of credit information for enhancing microfinance and examines the potential of e-credit information, trade finance and e-finance in overcoming information asymmetries that can limit access to credit by small and medium enterprises.

65. The Year also encouraged activities in capacity-building and the monitoring of microfinance. In advisory missions, ECA encouraged countries to take up microfinance as a means to reduce poverty. FAO, IFAD, the World Bank and the German Development Agency jointly supported the Rural Finance Learning Centre, an interactive website in four languages dedicated to providing access to the best materials for capacity-building in the field of rural finance for micro- and rural financial institutions, practitioners and policymakers. FAO formulated a series of gender-sensitive indicators for monitoring, evaluation and impact assessment in microfinance. IFAD now requires all its rural finance partners to annually report on eight standard financial and outreach indicators, marking a critical institutional shift from activity-based to performance-based reporting and monitoring.

66. Promotional activities were initiated by several organizations. In addition to a series of radio messages broadcast in three languages in developing countries, FAO was involved in more than a dozen promotional microfinance training seminars and

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[7] United Nations Industrial Development Organization (2005), *Combining Strengths: Synergies between Cluster Development and Microfinance*, Technical Working Paper Series No. 14, Vienna.

[8] Economic and Social Commission for Asia and the Pacific (2006), *Microfinance for Poverty Reduction: Building Inclusive Financial Sectors in Asia and the Pacific*, Development Paper No. 27, United Nations publication, Sales No. E.06.II.F.37.

[9] ST/ESCAP/2349, United Nations publication, Sales No. E.05.II.F.10.

[10] United Nations publication, Sales No. 05.II.K.9.

[11] (UNCTAD/SDTE/ECB/2005/1), United Nations Sales publication, No. E.05.II.D.19.

events in numerous countries. Microfinance featured in the FAO message for the International Day of Cooperatives and it was also the theme of the FAO International Women's Day event promoting gender-sensitive entrepreneurship via microfinance institutions. Every e-mail sent from IFAD in 2005 contained a message about the importance and potential of microfinance. The World Bank contributed to raising awareness on microfinance through CGAP which, with its 33 member donors, developed and endorsed key principles of microfinance which were disseminated widely. To raise donor awareness of good practice and improve the effectiveness of donor operations in microfinance, CGAP developed donor guidelines which translate lessons learned from 30 years of support to the sector into practical, operational guidance.

67. Several organizations have advocated for an integrated approach to microfinance. UNFPA partnered with the Microcredit Summit Campaign to implement a strategy that combines microfinance and reproductive health education. The two organizations, with support from the United Nations Foundation and Johnson & Johnson, conducted training for more than 160 institutions in Africa and Asia. As a result, 46 institutions have begun integrating health education services with their existing microfinance programmes. The United Nations Educational, Scientific and Cultural Organization emphasized the importance of combining microfinance with the provision of social services to empower poor people with the tools and skills for improving their quality of life. It also examined ways of integrating basic education and the appropriate use of science, technology, communication and information, and microfinance to optimize the output of financial services and achieve sustainable results.

68. Other agencies indirectly contributed towards the goals of the Year by promoting an enabling environment for microfinance. The United Nations Children's Fund (UNICEF), for example, promoted the rights, autonomy and education of children, and girls in particular. In providing education and care for children, mothers and other caretakers not only have the opportunity to engage in gainful employment, but the prerequisites are set for these children to acquire the skills needed to succeed as microentrepreneurs in later life. In addition, throughout the years UNICEF supported local projects in various countries, which have bolstered access to basic social services for the families of women receiving microcredit.

V. Conclusions and recommendations

69. The International Year of Microcredit, 2005 was a remarkable success and substantially contributed to increasing global awareness about microcredit and microfinance as important tools in the fight against poverty and towards achieving the Millennium Development Goals. It served as a platform for building partnerships between Governments, organizations of the United Nations system, microfinance institutions, the private sector and other actors. It also provided an effective forum for the sharing of experiences and good practices to build more inclusive financial sectors that will improve the access by poor people to financial services.

70. Major activities carried out during the International Year, in particular the "Blue Book" and the Data project, had an important impact on further promoting the

commitment to develop inclusive financial sectors in which all people have access to affordable financial services. In addition, the Global Microentrepreneurship Awards served to celebrate and reward microentrepreneurs around the world and contributed to promoting entrepreneurial culture, establishing strong partnerships, and increasing the visibility of microentrepreneurs.

71. The momentum created by the Year has underscored the potential role of microcredit and microfinance as tools for poverty eradication, and provided new impetus for putting best practices into action and enhancing the efforts of building inclusive financial sectors to meet the needs and demands of poor people everywhere. An important outcome of the International Year has been the establishment of the United Nations Advisers Group on Inclusive Financial Sectors. The Advisers Group has been established for a two-year term and will provide advice and guidance to the United Nations and will seek ways to make a broad variety of financial services accessible for the poor and for small enterprises across the globe.

72. **In light of the success of the International Year of Microcredit and the momentum it has generated, the General Assembly may wish to consider the following recommendations:**

(a) **Urge Member States, the United Nations system and all stakeholders to fully exploit the role of microcredit and microfinance as tools for poverty eradication, building on the partnerships developed during the International Year, and to ensure that best practices in the microfinance sector are widely disseminated and implemented;**

(b) **Recognize that the majority of the world's poor still does not have access to financial services, and in this regard, welcomes the convening of the United Nations Advisers Group on Inclusive Financial Sectors to promote the building of inclusive financial sectors to meet the needs and demands of poor people everywhere, building on the success of the "Blue Book", *Building Inclusive Financial Sectors for Development*, as a tool and a guide for policymakers seeking to build more inclusive financial sectors.**